

**Criteria for fixation of oil prices**

†1448. SHRI JANESHWAR MISHRA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that now the price fixation of petroleum production in the country is not under the Administered Price Mechanism (APM);

(b) if so, whether Government have taken steps to reduce or increase the prices of petroleum products in the country on the basis of their prices in the international oil market;

(c) the number of times the prices of petroleum products reduced in the international market during the past one year;

(d) whether Government have reduced the prices of petroleum products every time on the basis of the reduced international prices so as to provide relief to the general consumers; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) With the declared intention of moving towards market-determined pricing for petroleum products, Government announced the dismantling of the Administered Pricing Mechanism (APM) effective 1.4.2002. Since PDS kerosene and domestic LPG are fuels of mass consumption and largely consumed by the economically vulnerable sections of the society, it was decided that subsidies on these two products would continue on a specified flat rate basis to be met from the fiscal budget.

However, in view of the steep increase in international oil prices, the Government in June 2004 elucidated the principle which would govern its policy of containing the burden of increase in international prices on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Thus, the full impact of the international price increase has not been passed on to consumers of sensitive products. There has been no increase in the price of PDS kerosene since March 2002, and no increase in the price of domestic LPG since November 2004. The prices of petrol and diesel have been revised marginally based on international prices.

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†Original notice of the question was received in Hindi.

(c) The average monthly prices of sensitive petroleum products in the international market during the past one year are furnished in the enclosed Statement. (See below).

(d) and (e) Currently, the prices of international crude have fallen from the high of August 2006. The extent of losses/under recovery on petrol and diesel combined has come down. However, the situation with regard to LPG and SKO continues to remain difficult as no price increases were made in these products. At the time of implementing partial increase in prices of petrol and diesel in June 2006, the Government had assured that it will keep a close watch on the international prices and would be open to a review if the prices come down and stabilize. Keeping the totality of circumstances in mind the Government has decided to reduce the retail selling prices (at Delhi) of petrol by Rs. 2/- per litre and that of diesel by Re. 1/- per litre with effect from midnight of 29.11.2006 for public sector oil marketing companies.

### Statement

#### *International Prices as per Platt's Quotes*

		Diesel Gas Oil 5% Arab Gulf	Kerosene SKO Arab Gulf	Petrol MS(Unleaded 92RON)	LPG@@
		(Prices in US \$/bbl)			US\$/MT
2005	Nov.	57.69	60.91	59.48	547.00
	Dec.	60.23	66.99	59.90	536.00
2006	Jan.	64.95	72.85	65.42	581.00
	Feb.	63.33	72.36	64.20	625.00
	Mar.	70.17	73.73	69.05	530.00
	Apr.	80.97	82.86	80.15	429.00
	May.	81.18	82.71	86.17	470.00
	Jun.	82.90	83.31	82.03	470.00
	Jul.	83.57	85.02	84.47	502.00
	Aug.	82.72	86.11	80.36	547.00
	Sep.	72.42	77.31	65.18	561.00
	Oct.	68.54	71.53	61.21	483.00
	Nov. (Upto 27th)	67.45	71.11	61.62	462.00

@@LPG prices are computed on Platt's FOB Quotes at Saudi Aramco Contract Price for Butane & Propane in the ratio of 60:40